

March 8, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager *SM*

202300760

Subject: Ordinance – Approving and Authorizing a CRA Tax Abatement with 8K Development Company, LLC

Attached is an Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption* with 8K Development Company, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 129-131 W. Elder Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of the upper floors of 2 buildings into approximately 4,680 square feet of residential space, consisting of approximately 10 residential units, at a total construction cost of approximately \$880,600.

BACKGROUND/CURRENT CONDITIONS

The City owns two adjoining four-story buildings located at 129-131 W. Elder Street in Over-the-Rhine. The properties are currently subject to the City's lease and management agreement with the Corporation for Findlay Market, with the ground floor of both buildings being occupied by commercial tenants, *The Arepa Place*, and *Maverick Chocolate*. The upper floors of the two building currently sit vacant and are in need of substantial renovation. An appraisal of the upper floors of the properties conducted by the City's Real Estate Services Division determined their fair market value to be \$100,000.

The Department of Community and Economic Development (DCED) released a Request for Proposals (RFP) for the sale and redevelopment of the upper floors of the two buildings in February 2022. The RFP received three (3) responses from the following respondents: 8K Development Company, LLC, A.M. Titan Group, and True Blue Properties. A cross-departmental committee reviewed and evaluated the 3 proposals and recommended the sale of property be awarded to 8K Development Company, LLC in June 2022.

DEVELOPER INFORMATION

8K was founded in 2009. Starting with the gut renovation of one dilapidated house on Langland Street in Northside, 8K has grown into an integrated construction and property development company. The renaissance in Cincinnati's core neighborhoods has led to expertise across a broad spectrum of development and construction services such as

comprehensive historic renovations, commercial buildouts, and ground up construction. In 2016, the organization was reconfigured into two companies, 8K Development Co. and 8K Construction Co. Since the reorganization, 8K has completed over 30,000 sf of residential renovation and over 15,000 sf of commercial build-out working primarily in Northside, Over-the-Rhine, and Walnut Hills.

RECOMMENDATION

The Administration recommends approval of this Ordinance.

Attachment: Project Outline

Copy: Markiea L. Carter, Director, Department of Community & Economic Development

Project Outline

<u>Project Description Details</u>	<u>Explanation</u>
Project Name	129-131 W. Elder Street
Street Address	129-131 W. Elder Street
Property Condition	Two historic buildings that sit in Findlay Market; ground floor of 129 W. Elder St. is currently occupied by The Arepa Place and ground floor of 131 W. Elder St. is currently occupied by Maverick Chocolate; the upper floors are vacant and in disrepair
Neighborhood	Over-the-Rhine
Incentive Application Process	Request for Proposals and Commercial CRA – Downtown Streetcar Area
Recent or other projects by Developer	1714 Vine Street, KeyMark Phase I & II
Approval at Planning Commission/Neighborhood support	<ul style="list-style-type: none"> - Approval of sale by City Planning Commission on 9/16/2022 - Public engagement meeting held with OTR stakeholders, the Developer and City Planning on 9/6/2022 - Written letters of support from OTRCC and CFFM
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120), Live Area goal 3 by (pages 164-178), and Sustain Initiative Area Goal 2 (pages 193-198)

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Proposed Incentive	15-year, net 67% Commercial CRA tax abatement, with the possibility for 10-year historic extension (at the discretion of Council)
Additional Incentives	\$1.00 property sale to 8K Development Company, LLC
Construction Cost & Private investment committed	<p>Project Costs</p> <ul style="list-style-type: none"> - \$1,056,840 in total project costs (\$880,600 in hard construction costs) <p>Financing Commitments</p> <ul style="list-style-type: none"> - \$191,840 in Developer equity - \$650,000 permanent loan from North Side Bank - \$215,000 in State Historic Tax Credit Equity
Sq. Footage by Use	4,680 sf - residential
Number of units and rental ranges	<p>10 one-bedroom units</p> <ul style="list-style-type: none"> - 3 affordable to 50% AMI (\$650/month) - 3 affordable to 60% AMI (\$750/month) - 4 at market rate (\$900/month)
Jobs created/retained and payroll (living wage)	This project will not create any FTE positions
"But For"	The project, as presented with income restricted units, would not proceed without the proposed incentive package due to the Developer not receiving adequate returns until after Year 7.
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement (Year 5): 6% With Abatement (Year 5): 8%
LEED or other environmental build	Non-LEED
Neighborhood VTICA	No VTICA contribution
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$2.56 of new CPS/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$6,750
MBE/WBE Goals	SBE Goal of 30%
Transit Access/Walkability	The project is adjacent to Findlay Market-Elm, Findlay Market-Race, and Brewery District Streetcar stops; the project also sits along the 21, 64, 46, and 78 Metro bus routes

Geography	The project sits in an Opportunity Zone and the OTR-West End NRSA
Historic Preservation/Existing Building Renovation	This project will renovate the upper floors of two historic buildings, preserving and reactivating them for future use
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$650.00	\$26,000.00	Lifeguard, Laboratory Technician (Part-Time), Breast Feeding Peer Counselor (Part-Time), Parks/Recreation Program Leader (Part-Time)
\$900.00	\$36,000.00	Card Punch Operator, Custodian, Municipal Worker, Recreation Specialist (Part-Time)

AMI	1	2	3	4	5	6	7	8
30%	\$20,100	\$22,950	\$25,800	\$28,650	\$32,470	\$37,190	\$49,910	\$46,360
50%	\$33,450	\$38,200	\$43,000	\$47,750	\$51,600	\$55,400	\$49,250	\$63,050
60%	\$40,140	\$45,840	\$51,600	\$57,300	\$61,920	\$66,480	\$59,100	\$75,660
80%	\$53,520	\$61,120	\$68,800	\$76,400	\$82,560	\$88,640	\$78,800	\$100,880